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RUEHBJ/AMEMBASSY BEIJING PRIORITY 2755
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RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
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RHEHNSC/NSC WASHDC PRIORITY
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RUEAIIA/CIA WASHDC PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000393

SIPDIS

SCA/CEN; EEB
PLEASE PASS TO USTDA DAN STEIN
ENERGY FOR EKIMOFF/THOMPSON
COMMERCE FOR HUEPER

E.O. 12958: DECL: 03/26/2019

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SUBJECT: TURKMENISTAN: CHINA KNOWS PATIENCE PAYS OFF HERE,
ESPECIALLY IN THE ENERGY SECTOR

Classified By: DCM Sylvia Reed Curran for reasons 1.4 (b) and (d).

11. (C) SUMMARY: The Chinese ambassador to Turkmenistan described the relationship with Berdimuhamedov's government as positive, yet more stand-offish than in former President Niyazov's time. That said, CNPC is making progress on its Turkmenistan-China pipeline, although only half of this twin line is scheduled to be finished by the end of the year. He was somewhat pessimistic about the potential for CNPC to acquire additional concessions in Turkmenistan, but it was likely to try anyway. China appears to expect that, while the pipeline will be completed in the near term, increased production needed to fill the pipeline is farther off. Nonetheless, they are okay with this scenario because they think pipeline is what the Turkmen really want. As long as they keep the Turkmen happy, they think everything else will fall into place. END SUMMARY.

12. (C) A visiting scholar from the U.S.-based Center for Strategic and International Studies met on March 19 with Chinese Ambassador Wu Hongbin to learn more about the Chinese role in oil and gas development in Turkmenistan. Ambassador Wu shared some details about the Chinese National Petroleum Corporation's (CNPC) project work in the Amu Darya region, and the construction of the Turkmenistan-China pipeline.

13. (C) Wu said that the pipeline will actually be twin pipelines, with the first due to be completed before the December 2009 deadline, but the second one will take longer to finish. CNPC is not concerned about how much gas it will be able to export from Turkmenistan, although it believes it will move 20 bcm per year, once the pipeline is fully functional, he added.

14. (C) Although there is interest on the Chinese side, the Chinese Government is unsure whether CNPC will be able to win more concessions from Turkmenistan, the Ambassador said. CNPC had concluded a contract with former President Niyazov in late 2006 for a significant development project on the

South Yoloten field, he noted. CNPC has undertaken a small portion of that project, but not on the scale of the original agreement. (NOTE: It is unclear whether CNPC still retains options in South Yoloten, or whether elements of the original agreement were nullified after Niyazov's death. END NOTE.) Niyazov was positively disposed toward a close relationship with China, but President Berdimuhamedov does not seem to want such a close relationship, Wu said. China finds it easy to negotiate with the Turkmen Government, because the President has no "number two guy" and there are no "court factions" in the senior levels of government that can interfere. Once negotiations with the President take place, things seem to move forward largely without issue, he added.

15. (C) When asked how the Turkmen Government would respond to a proposal for a U.S.-Chinese joint oil and gas project, he offered the opinion that such a proposal would be acceptable to the government. From the Chinese perspective, however, he said it appeared that the Turkmen Government sought more distance between itself and the United States than it did between itself and China. The Chinese Government believes that, in terms of looking to the West, Berdimuhamedov wants a closer relationship with the Europeans than he does with the United States, he added.

16. (C) COMMENT: China knows its patience could pay off in the long run with Turkmenistan, and appears to be comfortable with securing a means to transport the gas while making actual gas production a second priority. Perhaps it assesses that in the long term, helping Turkmenistan reach its export

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diversification goals with an international pipeline will provide some political leverage. If and when the pipeline reaches a point where it is transporting 30 bcm per year, China will be able to provide a persuasive argument of the ease and low cost of exporting additional supplies eastward. Getting to a point where 30 bcm per year is going into the pipeline, however, may be the more difficult task. END COMMENT.
MILES